

Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/15/2002

GAIN Report #CA2093

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 28

2002

Approved by:

Hugh J. Maginnis

U.S. Embassy

Prepared by:

George C. Myles, Matthew A. Cahoon

Report Highlights:

"What's New, Eh?" * CWB Accused of Dumping Barley * 5 a Day Logo Granted Another Extension * Cool, Wet Weather Slows Crop Development in Saskatchewan * Canadian Cattlemen Hold Annual General Meeting in Winnipeg * Opposition Criticizes Government's Response to Drought and Hay Lift * GM Trace Level Approval Process Draft Released in Canada * Ontario Wheat Board Examines Proposal to Fully Open Ontario Wheat Market * Canadian Grain Commission Announces Changes to Canada Grain Regulations * Alberta and Manitoba Join Ontario in Margarine Row Against Quebec
...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CWB ACCUSED OF DUMPING BARLEY: In an August 8 joint news release from the Alberta Barley Commission, the Western Barley Growers and the Western Canadian Wheat Growers accused the Canadian Wheat Board (CWB) of acting against the interests of growers. The three producer organizations say the CWB took 56,000 tonnes of feed barley out of the domestic market by artificially inflating the 2001/02 pool return outlook (PRO), dumped that barley into the export market at a depressed price, and concealed the poor return by using interest income to make up the difference between sale price and PRO. The grower groups say the PRO was inflated by C\$45 per tonne above prices the CWB was actually getting, and attracted grain "that should have stayed home." Domestic buyers, short of feed barley all year, have consistently paid a premium over export markets. "Selling at a discount and attempting to hide the results with interest income is totally inconsistent with the CWB's claim that prices would fall if the board's monopoly is broken," says Western Canadian Wheat Growers president Art Enns. "In this case, farmers would clearly have been better off by as much as C\$3.7 million." The group has complained formally in a letter to CWB president Ken Ritter, and is awaiting a reply.

5 A DAY LOGO GRANTED ANOTHER EXTENSION: The promotional 5 a Day logo on packaged U.S. fruits and vegetables exported to Canada can be used until Canada's proposed amendments to its food and drug regulations governing nutrition labeling become law according to the Canadian Food Inspection Agency. Canadian regulators are currently finalizing regulations to establish mandatory nutrition labeling in Canada (see CA2023 and related reports). This process normally takes six months to one year and the official publication of the regulations is expected soon or in early 2003. U.S. exporters will be given up to two years after the regulations are in place to comply with the Canadian food label rules. As a result, the 5 a Day logo has been given a reprieve from the earlier embargo deadline of September 1, 2002. Canadian officials had issued a warning in August 2001 that the logo was in violation of Canadian rules, but representation by the U.S. government and industry resulted in a 10 month extension. The goal of the Produce for Better Health Foundation, the organization administering the 5 a Day program for the U.S. industry, hopes to work with the Canadian produce industry toward a common North American logo to promote fruit and vegetable consumption.

COOL, WET WEATHER SLOWS CROP DEVELOPMENT IN SASKATCHEWAN: Crop development and harvest progress were slowed this past week with cool, wet weather reported in many areas of the grainbelt, according to Saskatchewan Agriculture, Food and Rural Revitalization's latest crop report. Six percent of spring cereals are ripe, compared to the five-year (1997-2001) average of 16%. Thirty-one percent of the pulse crops are ripe, compared to the average of 40%. Mustard and canola crops are 9% ripe, compared to the average of 19%. Fall cereals are 80% ripe, compared to an average of 91%. Just over one percent of the 2002 crop has been swathed and less than one-half of one percent has been combined. The most progress has been in winter wheat, fall rye, canola, mustard, lentils, and peas. East central and southern areas received the greatest amount of rain, ranging from two to eight inches. Some of the storms brought hail damage as well as damage from wind and flooding. Heavier southern crops are lodged in many areas. Many areas of the province reported frost damage during the past week and damage from the previous week is becoming more apparent. The eastern side of the province and the northern grainbelt were the hardest hit with frost. Grasshoppers continue to be a major source of crop damage across the grainbelt. Other crop damaging insects reported were bertha armyworms, saw flies, flea beetles, potato aphids, and wheat midge. The wet, humid weather provided good conditions for fungal diseases, including rust, ascochyta blight, powdery mildew, root rot, and sclerotinia.

CANADIAN CATTLEMEN MEET IN WINNIPEG TO ADDRESS ISSUES: The Canadian Cattlemen's

UNCLASSIFIED Foreign Agricultural Service/USDA

Association (CCA) held its annual convention in Winnipeg last week. In his welcome address Neil Janke, CCA president, called for the creation of a federal disaster program to deal with issues such as the current drought on the prairies and a pilot program to allow year 'round imports of U.S. feeder cattle. Janke expressed concern over tuberculosis in Canadian elk and the related new U.S. animal health requirements imposed on certain Canadian live cattle exports from Manitoba. He also highlighted the organization's concerns over U.S. farm bill provisions on country of origin labeling. Dennis Laycraft, CCA's executive vice-president, outlined the effects on the industry of the current drought in western Canada including increased Canadian cow marketings, increased feeder cattle exports, lower feeder cattle prices, higher feed costs and reduced numbers of cattle on feed. However, Laycraft remained optimistic on the outlook for the industry. He told attendees that Canada accounts for approximately 2.7% of world beef production (compared to approx. 24% for the U.S.) and about 15% of total world beef and cattle trade. The cattle and beef sector is the largest contributor to farm cash receipts in Canada.

OPPOSITION CRITICIZES GOVERNMENT'S RESPONSE TO DROUGHT AND HAY LIFT: Although the Liberal government contributed C\$150,000 to the campaign to transport donated eastern hay westward for drought-stricken livestock producers, and up to 100 additional railway cars and administrative support, the Canadian Alliance Party, Canada's official opposition party, has been critical of the government's response to the hardship on ranchers caused by the drought in Canada's prairie provinces. Canadian Alliance Leader Stephen Harper, said the government is not going far enough. While praising the organizers of the Hay West program for their efforts to ship surplus hay, Mr. Harper blamed the government for problems in getting the hay shipped west by rail. Alliance member of Parliament John Williams, told CBC television that farmers do not need money as much as they need help. "They're just looking for some assistance to move the hay from east to west and south to north — wherever the drought is," he said. "They're not asking for cash, they're asking for real assistance." Other press reports indicate that the task of finding enough hay to feed Alberta's six million cattle is a mammoth one. According to Alberta Agriculture Minister Shirley McClellan, an estimated 650,000 metric tons of hay is desperately needed to help the province's farmers and ranchers get their livestock through the winter.

SAY HAY! CONCERT SET FOR CANADIAN THANKSGIVING: According to the *Globe and Mail*, Thanksgiving on the drought-ridden Prairies may still be a time for celebration, said members of Canada's music industry who gathered in Edmonton to announce two farm-aid concerts. Say Hay! is an industry show of support for Canadian farmers struggling with the worse drought in 133 years, Alliance MP Myron Thompson said Monday at a press conference. The concert will take place first in Edmonton on Oct. 13 and then in Calgary on Oct. 14. Some of Canada's biggest names in country music will donate their talents to the cause, which is expected to raise C\$1-million, said Mr. Thompson. Gil Grant, Paul Brandt, Adam Gregory, Tom Jackson, Dwayne Steel, Lisa Hewitt and Adam Gregory are the artists committed to performing, he said, but that roster is expected to grow. While most of the aid will likely come from ticket sales, merchandising and television broadcast rights are also expected to net substantial gains.

The concerts will augment the Hay West campaign by eastern farmers, who have banded together to help their Western counterparts. Both Saskatchewan and Alberta farmers participated in lotteries for the hay, which is meant to sustain cattle hungry for fodder. On Monday, Prince Edward Islanders agreed to take part in the campaign to get hay to drought-stricken western livestock. CN Rail has agreed to load box cars in Truro, N.S., Moncton and Quebec City early next week.

TRACE LEVEL APPROVAL PROCESS DRAFT RELEASED IN CANADA: According to the August 13 edition of *G-Mail*, at the Canadian Seed Trade Association 2002 Annual Meeting on July 9, a representative of Monsanto Canada tabled a White Paper that outlines an approval process for trace levels of genetically-modified material. Entitled "*Trace Level Approval Process for Biotechnology-Derived Material in Seed, Food and Feed*", the paper seeks to provide a regulatory mechanism for review and approval of adventitious or trace levels of biotechnology-derived products. The paper recommends that technology providers submit a data set and information on the biotechnology-derived crop to the Canadian Food Inspection Agency (CFIA) and Health Canada when field testing of the crop reaches a specific acreage, dubbed a "trigger acreage". The annual acreage limits proposed in the paper are primarily for commodity grains are: (1) 10 acres per site at 5 sites per province, OR (2) 3 acres per site at 15 sites per province, OR (3) 250 cumulative acres nationwide. The paper proposes that technology providers submit a limited data subset for review by CFIA that would include data regarding the encoded protein; a list of events encoding the protein; the familiarity of the host crop and protein; and whether the protein's unintended trace level would either confer a selective advantage in the environment, or otherwise increase crop's potential to become a plant pest. The technology providers would also submit to Health Canada an assessment of the history of safe use of the introduced protein (or a related protein); information on the function, specificity, and mode of action of the expressed protein; bioinformatic assessment of relatedness to known protein toxins and allergens; and digestive fate

data for the expressed protein.

LOWER ONTARIO CORN PRODUCTION EXPECTED: The outlook for Ontario corn has been revised downward again in the Aug. 12 supply-demand report from the Ontario Corn Producers' Association (OCPA). Ontario growers are now expected to produce 213.7 million bushels of corn, down from 219.5 forecast in July, but still higher than 196.7 million in 2001/02 and 176.6 million in 2000/01. The latest yield estimate has dropped to 111 bu/acre compared to July's estimate of 114 bu/acre. The drop in production will be made up with an 8 million bushels increase in U.S. imports, says OCPA. The total Ontario supply is pegged at 282.3 million bu., up from the July estimate of 281.6 million. The average price of Ontario corn is now projected at \$3.50/bu, up from July's forecast of \$3.25.

ONTARIO WHEAT BOARD EXAMINES PROPOSAL TO FULLY OPEN ONTARIO WHEAT MARKET: Directors of the Ontario Wheat Producers' Marketing Board (OWPMB) are circulating a proposal that would place the entire Ontario wheat crop for sale on the open market effective next summer. Under the proposal, the board would become another buyer, bidding for grain with grain companies. The board would market grain and run a pool for farmers wanting to use it as their marketing agent, but it would have no right to any share of the market. Industry insiders say the Guelph-based wheat board likely will become a vehicle for Ontario's smaller producers. However, without a guaranteed supply, it could have difficulty maintaining sales volumes to finance its marketing operations. The proposal, which must be approved by the board's delegates and the Ontario government, will be announced publicly August 27 at the board's next annual meeting. For more information, see GAIN report CA2092.

CANADIAN GRAIN COMMISSION ANNOUNCES CHANGES TO CANADA GRAIN REGULATIONS: According to the Canadian Grain Commission (CGC), significant changes have been made for the 2002/2003 crop year effective August 1, 2002: (1) The "direct hit" provisions now require official inspection and weighing on discharge to a vessel, and prohibit storage of "direct hit" shipments, except in special circumstances as determined by the Canadian Grain Commission (the CGC). Requests for temporary storage in a critical situation should be submitted in writing to the appropriate CGC Regional Office. (2) The provisions for receipt of grain into and discharge from licensed transfer elevators now reflect the ongoing practice of the last several years. (3) There is no longer any requirement for machine separations at terminal elevators. (4) The change that was made a year ago to the definition of "hazardous substance" has been amended because it proved to be too broad. (5) The procedures regarding "subject to inspector's grade and dockage", "special binning" and "moisture testing" have been rewritten for clarity and consistency. (6) It is now explicitly stated that delivery of grain to an agent of a licensed grain dealer constitutes delivery to the grain dealer. (7) The specifications for feed peas will no longer include total foreign material, or a tolerance for small seeds and attrition, and will establish zero tolerance for fireburnt kernels and change the term "heated" to "heated and binburnt."

CANADA TRADE MISSION TO KUWAIT, QATAR, OMAN AND UAE: According to the Canadian Department of Foreign Affairs and International Trade, Canada will conduct a trade mission to the Arabian Peninsula from October 10-20, 2002. Organized by the Canada-Arab Business Council (CABC), this mission is set to tap into the huge potential of a rapidly growing market. The Arabian Peninsula represents a market with strong potential for Canadian companies with exports of goods reaching close to C\$688 million in 2001, and exports in the services sectors estimated at another C\$300 million. The mission in October will open doors for Canadian companies and institutions in the telecommunications, oil and gas, architecture, engineering, education services, healthcare, water and sewage treatment, and agri-food industries.

ALBERTA AND MANITOBA JOIN ONTARIO IN MARGARINE ROW AGAINST QUEBEC: According to the August 15, 2002 edition of the *Globe and Mail*, the provinces of Alberta and Manitoba have joined Ontario in the interprovincial trade dispute over Quebec's refusal to lift a ban on butter-colored margarine. In June, Canada's oilseed industry asked the two western provinces, as well as neighboring Saskatchewan, to intervene by supporting Ontario's challenge. Alberta and Manitoba have both done so, but it's not clear yet whether Saskatchewan has decided to join them. Canadian canola growers, oilseed crushers and refiners, as well as makers of vegetable oil-based products, say Quebec's refusal to allow anything but white margarine harms them financially. The Canadian Oilseed Processors Association and the Canadian Canola Growers Association plan on issuing a press

GAIN Report #CA2093

release requesting help from the three western provinces. Association members are "adversely affected by regulations that impair the free internal trade of margarine in order to protect the dairy industry's markets for butter," Bob Broeska, president of COPA, says in the release. Ontario has challenged Quebec's regulation on the grounds that it's protectionist and a barrier to interprovincial trade. Ontario producers have complained that it's costly and discriminatory to have to produce one color of margarine for Quebec and the standard yellow hue for the rest of Canada. Under the 15-year-old regulation enacted to protect Quebec's 10,000 dairy farmers, the province has prohibited margarine producers from tinting their product the same color as butter. Quebec is the only province -- and one of the few jurisdictions in the world -- still enforcing a ban on colored margarine. Food and soap giant Unilever Canada Ltd. also went to court earlier this year to challenge the ban.

Did You Know...that since its legalization for research and commercial purposes in 1998, more than 600 Canadian farmers now grow hemp. Agriculture and Agri-Food Canada believes there is a vast market potential for this crop as a fibre and in body-care products.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2092	Ontario Wheat Board Examines Proposal for Completely Open Wheat Market	8/15/2002
CA2090	This Week in Canadian Agriculture, Issue 27	8/08/2002

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: info@usda-canada.com.